South Carolina Board of Economic Advisors
Statement of Estimated State Revenue Impact

Date: May 22, 2007

Bill Number: H.B. 3896

Author: Kirsh

Committee Requesting Impact: House Ways & Means Committee

Bill Summary
A BILL TO AMEND SECTION 4-12-30, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO FEE IN LIEU OF PROPERTY TAXES, SO AS TO ALLOW AN APPLICABLE PIECE OF PROPERTY TO QUALIFY FOR THE ANNUAL FEE IN LIEU OF PROPERTY TAXES FOR AN ADDITIONAL TEN YEARS BY RESOLUTION OF THE COUNTY, TO EXTEND THE MAXIMUM TIME A PROJECT QUALIFIES FOR A FEE FROM THIRTY YEARS TO FORTY YEARS, TO DELETE THE REQUIREMENTS TO QUALIFY FOR A FOUR PERCENT ASSESSMENT RATIO THAT A SPONSOR MUST INVEST A TOTAL OF THREE HUNDRED MILLION DOLLARS WHEN ADDED TO PREVIOUS INVESTMENTS AND THAT A SPONSOR MUST INVEST AT LEAST FOUR HUNDRED MILLION DOLLARS AND CREATE TWO HUNDRED FULL-TIME JOBS AT A PROJECT, TO ALLOW ONLY A COUNTY TO RETAIN REVENUES FROM A FEE IN LIEU OF PROPERTY TAXES, TO ALLOW THE COUNTY TO USE THESE REVENUES TO OFFSET IMPROVEMENT COSTS, TO PROHIBIT A DIRECT PAYMENT OF CASH FOR A PROJECT EITHER IN OR NOT IN AN INDUSTRIAL DEVELOPMENT PARK FOR SPECIFIED AMOUNTS, AND TO DEFINE IMPROVEMENT COSTS; TO AMEND SECTION 4-29-67, AS AMENDED, RELATING TO INDUSTRIAL DEVELOPMENT PARKS, SO AS TO DELETE THE REQUIREMENTS TO QUALIFY FOR A FOUR PERCENT ASSESSMENT RATIO THAT A SPONSOR MUST INVEST A TOTAL OF THREE HUNDRED MILLION DOLLARS WHEN ADDED TO PREVIOUS INVESTMENTS AND THAT A SPONSOR MUST INVEST AT LEAST FOUR HUNDRED MILLION DOLLARS AND CREATE TWO HUNDRED FULL-TIME JOBS AT A PROJECT; TO AMEND SECTION 12-6-3620, RELATING TO INCOME TAX CREDITS FOR USING METHANE GAS, SO AS TO CLARIFY CERTAIN LANGUAGE; TO AMEND SECTION 12-36-2120, AS AMENDED, RELATING TO SALES TAX EXEMPTIONS FOR CONSTRUCTION MATERIALS, SO AS TO CLARIFY CERTAIN LANGUAGE; TO AMEND SECTION 12-43-220, AS AMENDED, RELATING TO PROPERTY TAX CLASSIFICATIONS FOR REAL PROPERTY, SO AS TO ALLOW ANY WAREHOUSING OR WHOLESALE DISTRIBUTION REAL PROPERTY TO BE EXEMPT FROM THE TEN AND ONE-HALF PERCENT CLASSIFICATION FOR MANUFACTURING PROPERTY; TO AMEND SECTION 12-44-10, RELATING TO THE TITLE OF THE CHAPTER, SO AS TO DELETE THE DATE; TO AMEND SECTION 12-44-30, AS AMENDED, RELATING TO DEFINITIONS, SO AS TO LOWER THE REQUIREMENTS FOR AN ENHANCED INVESTMENT THAT A SPONSOR INVEST AT LEAST TWO HUNDRED MILLION DOLLARS AND CREATE TWO HUNDRED FULL-TIME JOBS TO ONE HUNDRED FIFTY MILLION DOLLARS AND ONE HUNDRED TWENTY-FIVE JOBS, TO ALLOW A SPONSOR TO BE EXEMPT FROM THE NEW FULL-TIME JOBS REQUIREMENT IN CERTAIN CIRCUMSTANCES, TO LOWER THE LEVEL OF INVESTMENT REQUIRED FOR A MINIMUM INVESTMENT FROM FIVE MILLION DOLLARS TO TWO AND ONE-HALF MILLION DOLLARS, AND TO ALLOW A COUNTY BY RESOLUTION TO EXTEND THE TERMINATION DATE OF A FEE AGREEMENT UP TO AN ADDITIONAL TEN YEARS; AND TO AMEND SECTION 12-44-40, AS AMENDED, RELATING TO FEE AGREEMENTS, SO AS TO CLARIFY CERTAIN LANGUAGE.

REVENUE IMPACT [1/]
This bill is not expected to impact General Fund revenue in FY2007-08. This bill would decrease local property tax revenues by $12,700,000 in FY2007-08 and shift it to the other classes of property to the extent allowed by the millage caps.

Explanation
Below is a section-by-section description of the proposed changes to the legal statutes.

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Section 1. This section would amend Section 4-12-30(C)(4) to allow the annual fee-in-lieu of property taxes to be extended by up to ten additional years by resolution of the county. The fee-in-lieu of property taxes would also be extended from a maximum of 30 years to 40 years for a single project which has been granted an extension.

This section would amend Section 4-12-30(D)(4)(a)(i) that would allow a single sponsor that invests at least $150,000,000 and creating at least 125 new full-time jobs at a project to delete the requirement that the total investment when added to previous investments by a sponsor total at least $300,000,000 before receiving a four percent assessment ratio for a fee-in-lieu of property taxes.

This section would also amend Section 4-12-30(K)(3) to allow a county to use a portion of the fee-in-lieu of property tax revenue to offset improvement costs of infrastructure associated with the project without issuing special source revenue bonds. A county would offer a credit against the fee due from a sponsor for the improvement costs. This section would disallow a municipality or a special purpose district from using special source revenue bonds to offset improvement costs associated with infrastructure improvements. Because these changes would be made by the respective county councils, these changes are not expected to impact adversely local revenues in FY2007-08.

Section 2. This section would amend Section 4-29-67(D)(4) that would allow a single sponsor that invests at least $150,000,000 and creating at least 125 new full-time jobs at a project to delete the requirement that the total investment when added to previous investments by a sponsor total at least $300,000,000 before receiving a four percent assessment ratio for a fee-in-lieu of property taxes. This section makes the investment provisions consistent for the “Little Fee” fee-in-lieu of property taxes with the “Big Fee” fee-in-lieu of property taxes. Because these changes would be made by the respective county councils, these changes are not expected to impact adversely local revenues in FY2007-08.

Section 3. This section amends Section 12-6-3620(A) to replace the term “power” with the term “energy”.

Section 4. This section amends Section 12-36-2121(67) to amend language to require that a sales tax exemption on construction materials used in the construction of manufacturing or distribution facility with a capital investment of at least $100,000,000 in real and personal property in the State over an 18-month period is at a “single site.” This provision had already been incorporated into the revenue projection last fiscal year; therefore, there is not expected to have an additional impact on General Fund revenue in FY2007-08.

Section 5. This section will allow real property of manufacturers used primarily for warehousing and wholesale distribution to become subject to a 6.0% assessment ratio instead of a 10.5% assessment ratio. Under current law, this only applied to clothing and wearing apparel and property not located on the premises or contiguous to the manufacturer. Extending the 6.0% assessment ratio to this property will decrease local property tax revenues by $12,700,000 in FY2007-08 and shift it to the other classes of property to the extent allowed by the millage caps.

Section 6. This section would amend Section 12-44-30(7) to amend the definition of “enhanced investment” to amend the definition of “enhanced investment” and creating at least 200 new full-time jobs to allow a single sponsor that invests at least $150,000,000 and creating at least 125 new full-time jobs at a project before receiving a four percent assessment ratio for a fee-in-lieu of property taxes. This section would also amend Section 12-44-30(14) to amend the definition of “minimum investment” to lower the minimum investment by a sponsor of not less than $5,000,000 to not less than $2,500,000 that must be invested in a project. This section would also amend Section 12-44-30(20) to amend the definition of “termination date” to include an extension of up to ten additional years if the termination date is extended by a resolution of the county. This section would also replace the term inducement “resolution” with the term “agreement”. Because these changes would be made by the respective county councils, these changes are not expected to impact adversely local revenues in FY2007-08.

Section 7. This act takes effect upon approval by the Governor.

/s/ WILLIAM C. GILLESPIE, PH.D.
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Chief Economist

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[1/] This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.